



HOW EMPLOYEE ENGAGEMENT DRIVES GROWTH

Although measuring employee engagement is an increasingly common practice in the business world, Gallup's Q¹² employee engagement metric is distinct in that it is backed by rigorous science linking it to nine integral performance outcomes. Gallup administers the Q¹² to workers in various companies, nonprofits, and other organizations worldwide in an effort to help its clients improve their employee engagement. Meanwhile, Gallup researchers continually study findings from research on the Q¹² to learn more about employee engagement's impact on organizational and team performance.

The 2012 meta-analysis once again verified that employee engagement relates to each of the nine performance outcomes studied. Additionally, Gallup continues to find that the strong correlations between engagement and the nine outcomes studied are highly consistent across different organizations from diverse industries and regions of the world.

The Q¹² Predicts Key Performance Outcomes

Every two to four years Gallup completes meta-analysis research — a statistical technique that pools multiple studies — on the Q¹². By conducting this research regularly over time and increasing the number of business units analyzed, Gallup stays on the cutting edge of how well employee engagement predicts key performance outcomes. When sample sizes allow, Gallup establishes links to new outcomes that companies can measure and manage to drive organizational performance through employee engagement. Gallup knows of no other company that backs its employee engagement survey with such extensive research.

In 2012, Gallup conducted its eighth meta-analysis on the Q¹² using 263 research studies across 192 organizations in 49 industries and 34 countries. Within each study, Gallup researchers statistically calculated the business/work-unit-level relationship between employee engagement and performance outcomes that the organization supplied. Researchers studied 49,928 business/work units, including nearly 1.4 million employees. This eighth iteration of the meta-analysis further confirmed the well-established connection between employee engagement and nine performance outcomes:

- customer ratings
- profitability
- productivity
- turnover (for high- and low-turnover organizations)
- safety incidents
- shrinkage (theft)
- absenteeism
- patient safety incidents
- quality (defects)

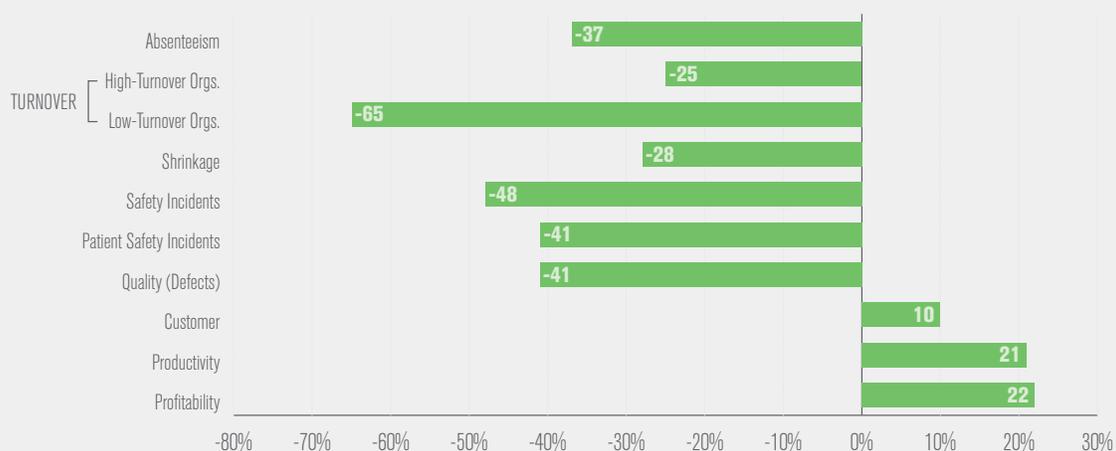
Given the timing of the eighth iteration of this study, it also confirmed that employee engagement continues to be an important predictor of organizational performance even in a challenging economy. Gallup researchers studied the differences in performance between engaged and actively disengaged business/work units and found that those scoring in the top half on employee engagement nearly doubled their odds of success compared with those in the bottom half. Those at the 99th percentile had four times the success rate of those at the first percentile.

Median differences between top-quartile and bottom-quartile units were 10% in customer ratings, 22% in profitability, 21% in productivity, 25% in turnover (high-turnover organizations), 65% in turnover (low-turnover organizations), 48% in safety incidents, 28% in shrinkage, 37% in absenteeism, 41% in patient safety incidents, and 41% in quality (defects).

In short, the 2012 meta-analysis once again verified that employee engagement relates to each of the nine performance outcomes studied. Additionally, Gallup continues to find that the strong correlations between engagement and the nine outcomes studied are highly consistent across different organizations from diverse industries and regions of the world.

ENGAGEMENT'S EFFECT ON KEY PERFORMANCE INDICATORS

Median differences between top- and bottom-quartile teams



INCREASED ENGAGEMENT LEADS TO HIGHER EARNINGS PER SHARE

Gallup's research also shows that companies with engaged workforces have higher earnings per share (EPS) and seem to have recovered from the recession at a faster rate. In a recent study, Gallup examined 49 publicly traded companies with EPS data available from 2008-2012 and Q¹² data available from 2010 and/or 2011 in its database and found that organizations with a critical mass of engaged employees outperformed their competition, compared with those that did not maximize their employees' potential.

In fact, researchers discovered that as the economy began to rebound after 2009, having an engaged workforce became a strong differentiator in EPS. Companies with engaged workforces seemed to have an advantage in regaining and growing EPS at a faster rate than their industry equivalents. Conversely, those organizations with average engagement levels saw no increased advantage over their competitors in the economic recovery.

Organizations with an average of 9.3 engaged employees for every actively disengaged employee in 2010-2011 experienced 147% higher EPS compared with their competition in 2011-2012. In contrast, those with an average of 2.6 engaged employees for every actively disengaged employee experienced 2% lower EPS compared with their competition during that same time period.

MEASURING WHAT MATTERS

Joseph Juran, a noted management expert, said, "Without a standard there is no logical basis for making a decision or taking action." Most organizations understand this to some degree; however, many persist in measuring performance by the *wrong* standard — using unsubstantiated or ineffective metrics that ultimately lead nowhere. When leaders work with Gallup to measure and manage employee engagement at their companies, they can be confident that the Q¹² is backed by years of empirical research and used by some of the world's leading organizations.

Factors such as EPS, profitability, productivity, and customer ratings are all key indicators in determining an organization's health and its potential for growth. For leaders who are responsible for these outcomes, the research plainly shows that the Q¹² is more than just another human resources initiative; it is the best measurement tool for initiating companywide transformation to create sustainable growth. By intentionally focusing on measuring and managing employee engagement using Gallup's Q¹² metric, companies gain a competitive advantage that keeps them moving forward. Research shows concentrating on employee engagement can help them withstand — and possibly even thrive in — challenging economic times. **G**